

Message Text

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ACTION EB-04

INFO OCT-01 SS-04 ISO-00 NSC-04 NSCE-00 TRSE-00 FRB-03

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FM AMEMBASSY LONDON

TO SECSTATE WASHDC 5710

INFO AMEMBASSY BONN

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY TOKYO

USMISSION EC BRUSSELS

USMISSION OECD PARIS

C O N F I D E N T I A L LONDON 13568

LIMDIS GREENBACK

DEPARTMENT ALSO PASS FRB AND TREASURY FOR S.Y. CROSS AND
F.L. WIDMAN

E.O. 11652: GDS

TAGS: EFIN, UK

SUBJECT: TWO-TIER GOLD SYSTEM

REF: LONDON 13395; STATE 227277

1. U.K. TREASURY AND BANK OF ENGLAND OFFICIALS ARE WELL
AWARE OF U.S. POSITION IN PARA 2 REFTEL AND CLAIM
THAT U.K. IS IN AGREEMENT. U.K. VERY MUCH HOPES THAT
MONETARY AUTHORITIES WILL NOT START BUYING GOLD ON THE
FREE MARKET. NOR DOES THE U.K. WISH TO SEE ANY TREND
TOWARDS A NEW HIGHER OFFICIAL GOLD PRICE.

2. THIS MUCH SAID, AT LEAST SOME OF THE U.K. OFFICIALS
INVOLVED IN C-20 WORKING GROUPS BELIEVE THAT TOWARDS THE
END OF THE REFORM NEGOTIATIONS, THERE MAY HAVE TO BE
GREATER FLEXIBILITY INTRODUCED, I.E., CONSIDERATION OF
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MORE MEANINGFUL OFFICIAL GOLD PRICE.

3. CURRENT U.K. POSITION IS THAT GOLD SHOULD BE SEPARATED FROM SDR VALUATION. MONETARY AUTHORITIES SHOULD BE PERMITTED TO SELL BUT NOT TO PURCHASE GOLD IN THE FREE MARKET AT THIS TIME. THE U.K. HOPES THAT MONETARY AUTHORITIES WILL NOT NEED TO MAKE PROVISION FOR SETTLEMENT IN GOLD BETWEEN EACH OTHER. LOOKING AHEAD, HOWEVER, U.K. TREASURY OFFICIALS QUESTION REALISM OF EXPECTING TO PREVENT SETTLEMENT IN GOLD BETWEEN CENTRAL BANKS, ESPECIALLY IF THIS CAN BE NEGOTIATED AS PART OF THE OVER-ALL INTERNATIONAL MONETARY REFORM PACKAGE.

4. U.K. CLAIMS THAT IT IS NOT IN THE LEAD ON THIS POINT. THERE IS MUCH DISCUSSION OF IT IN EC, WITH ITALIANS, NOT FRENCH, PRESSING FOR PROVISION FOR SETTLEMENT IN GOLD BETWEEN MONETARY AUTHORITIES AT OR NEAR FREE MARKET PRICE. ITALIANS REPORTEDLY ARE HEAVILY INFLUENCED BY THE LEVEL OF THEIR OWN RESERVES. THEY MAY FORESEE HAVING TO USE SOME OF THEIR GOLD STOCK IN SETTLEMENT. PRESSURE FOR SOME MEANS OF GOLD SETTLEMENT MIGHT ALSO BE LINKED TO ADVANTAGE OF REVALUATION OF GOLD HOLDINGS THEREBY WRITING UP VALUE OF RESERVES. FRENCH ARE REPORTEDLY VERY RELAXED ON GOLD PRICE QUESTION, BECAUSE THEY APPARENTLY BELIEVE IT WILL BE REVISED UPWARD IN SOME WAY DURING THE INTERNATIONAL MONETARY DISCUSSIONS. THEY ARE NOT PUSHING FOR INCREASE IN OFFICIAL PRICE IN THE SHORT-TERM.

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